

**STATE OF VERMONT
STANDARD CONTRACT FOR SERVICES**

CONTRACT # 14011

This MEMORANDUM OF AGREEMENT (“Agreement”) is made and entered into as of this 25th day of September, 2008, by and between the State of Vermont through its Agency of Natural Resources and Public Service Board, having their principal places of businesses at, respectively, 103 So. Main Street, Center Building, Waterbury, Vermont, 05671 and 112 State Street, 4th Floor, Montpelier, Vermont, 05620-2701 (hereafter collectively referred to as the “Agencies”); and the REGIONAL GREENHOUSE GAS INITIATIVE, INC (hereafter referred to as “RGGI, Inc.”), a non-profit corporation having its principal place of business at 90 Church Street, New York, New York, 10119 (collectively referred to as the “Parties”).

WITNESSETH:

WHEREAS, as of the date of the Agreement, the Governors of the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont (the “Signatory States”) have entered into a Memorandum of Understanding to establish a multi-state greenhouse gas control program for carbon dioxide emissions from certain electric power plants (the “Regional Greenhouse Gas Initiative” or “RGGI”);

WHEREAS, on July 12, 2007, RGGI, Inc. was incorporated in the State of Delaware as a non-profit corporation formed to serve as the sole regional organization for purposes of: (a) providing technical and scientific advisory services to the Signatory States in the development and implementation of a multi-state greenhouse gas control program, or its successor, under RGGI, (b) reducing air pollutants that contribute to climate change; and (c) performing other charitable or scientific functions related to the reduction of greenhouse gas emissions or the increase in carbon sequestration on behalf of the Signatory States;

WHEREAS Vermont promulgated and otherwise established its carbon dioxide cap and trade program (the “CO₂ offset allowances to projects that reduce and/or sequester emissions of greenhouse gases (the “Offset Program.”)).

WHEREAS, in accordance with the requirements of 30 V.S.A. § 255, Vermont has determined that a multi-state auction can provide benefits to Vermont that meet or exceed the benefits conferred upon Vermont through a state-run auction process and therefore, enters into this contract with RGGI, Inc. to conduct one or more of the multi-state auctions;

WHEREAS, RGGI, Inc. shall administer the duties listed below and shall perform all duties in compliance with the terms and conditions contained in this Agreement;

WHEREAS, the Agencies are authorized to execute this Agreement on behalf of Vermont; and

NOW, THEREFORE, the Agencies and RGGI, Inc., for and in consideration of mutual covenants and other good and valuable consideration, do hereby agree to the terms of this Agreement, as follows.

ARTICLE 1. SCOPE OF SERVICES

1.1 The Agencies hereby contract with RGGI, Inc. to administer and otherwise manage the Auction Program, the Tracking System, the Offset Program and any and all services required under the aforementioned programs pursuant to the terms of this Agreement.

1.2 In accordance with RGGI, Inc.'s Certificate of Incorporation, and in order to fulfill its obligations under this Agreement, RGGI, Inc. may enter into contracts with any person, firm, association, corporation or body politic. Any subcontract entered into by RGGI, Inc. for the purposes of fulfilling its obligations under this Agreement must be in writing and shall be consistent with and subject to the provisions of this Agreement and Attachment C hereto. Subcontracts shall not relieve or discharge RGGI, Inc. from any duty, obligation, responsibility or liability arising under this Agreement. RGGI, Inc. shall provide the Agencies with copies of all subcontracts and shall not be bound by any provisions contained in a subcontract to which it is not a party. Neither of the Agencies shall be bound by any provisions contained in a subcontract to which it is not a party. The Agencies shall have access to any reports, financial records, books, accounting records, and documents prepared by the subcontractors for RGGI, Inc.

ARTICLE 2. RESPONSIBILITIES

2.1 Tracking System:

RGGI, Inc. shall design, develop, operate and maintain the Tracking System in accordance with the Tracking System Work Plan attached hereto as Appendix B.

2.2 Auction Program:

RGGI, Inc. shall administer the Auction Program and conduct multi-state auctions in accordance with the Auction Work Plan attached hereto as Appendix B.

2.3 Offset Program:

RGGI, Inc. shall provide services to administer the Offset Program in accordance with the Offsets Program Work Plan attached hereto as Appendix B.

ARTICLE 3. PAYMENT

3.1 The Agencies have paid RGGI, Inc. an initial payment in the sum of Eight Thousand Dollars (\$8,000) to carry out the responsibilities and obligations detailed under this Agreement. This initial payment constitutes the Agencies' payment for calendar year

2009. Payments to RGGI, Inc. may also be used to pay for staff and operating costs.

3.2 For calendar year 2010, the Agencies will pay RGGI, Inc. the sum of Sixteen Thousand Dollars (\$16,000) to carry out the responsibilities and obligations under this Agreement.

3.3 The annual payments described in Articles 3.1 and 3.2, above, will be made within 60 days of receiving the appropriate annual invoice from RGGI, Inc. These invoices should be sent to Richard Valentinetti, Director, Air Pollution Control Division, Agency of Natural Resources, 103 So. Main Street, Building 3 South, Waterbury, Vermont, 05671-0402.

3.4 Payments under this Agreement may be made by electronic fund transfer or check. Payments by check shall be payable to "RGGI, Inc.", and delivered to 90 Church Street, New York, New York 10119.

ARTICLE 4. REPORTS TO AGENCIES

4.1 Forty-five days after the end of each quarter, RGGI, Inc. shall provide the Agencies with quarterly progress reports that include the status of implementing the multi-state auction platform, the tracking system, the offset application and review process, and all reports from the market monitor, financial reports, and budget reports, all as described in Appendix B to this Agreement.

4.2 From time to time, the states in consultation with RGGI, Inc. may specify additional reports and information that may be required to monitor and effectively evaluate performance under this agreement.

ARTICLE 5. INDEMNIFICATION

5.1 RGGI, Inc. shall indemnify and hold harmless Vermont in accordance with the indemnification clause included in the Vermont Terms and Conditions attached to this Agreement as Attachment C.

ARTICLE 6. EFFECTIVE DATE OF AGREEMENT

6.1 The effective start date of performance under this Agreement shall be the date that the Agreement is executed by an authorized signatory for RGGI, Inc. and authorized signatories for the Agencies, whichever is later.

6.2 This Agreement shall expire December 31, 2010 unless otherwise renewed in accordance 6.3 below.

6.3 The Agencies have the option to renew the contract for an additional two-year term. Such renewal may be made by contract amendment specifying the sums that the Agencies will pay RGGI, Inc. during that additional term.

ARTICLE 7. PROJECT MANAGEMENT AND NOTICES

7.1 All notices, submissions, correspondence and other communications specifically provided for or required under this Agreement shall be made by hand-delivery, electronic mail or by First Class Mail to the person and addresses listed below, or their successors. Any notice shall be deemed delivered and received when submitted in writing in person or when delivered by an other appropriate method evidencing actual receipt by the Agencies or RGGI, Inc.

7.2 Contact information:

For the Vermont Agency of Natural Resources:

Richard Valentineti, Director, Air Pollution Control Division, Agency of Natural Resources, 103 So. Main Street, Building 3 South, Waterbury, Vermont, 05671-0402; dick.valentinetti@state.vt.us.

For the Vermont Public Service Board:

Edward McNamara, Staff Attorney, Vermont Public Service Board, 112 State Street, 4th Floor, Montpelier, Vermont, 05620-2701: Ed. McNamara@state.vt.us

For RGGI Inc.:

c/o Clifford P. Chase, Esq., Carter Ledyard & Milburn LLP, 2 Wall Street, New York, New York 10005; case@clm.com

ARTICLE 8. MAINTENANCE OF RECORDS

8.1 RGGI, Inc. shall keep, maintain and preserve at its principal offices, through the term of this Agreement and for a period of seven additional years thereafter, full and detailed books, accounts, and records pertaining to the performance of its obligations, including without limitation, all bills, invoices, payrolls, subcontracting records and other data related to the direct and indirect costs and expenses incurred by RGGI, Inc. in the course of such performance under this Agreement.

8.2 Due to the sensitive commercial information involved in the RGGI program, all documents generated or accepted in performance of this Agreement shall be confidential and shall not be released by RGGI, Inc. to anyone unless and until: (a) the Agencies

determine that, under Vermont law, such documents would not be exempt from public inspection and thereafter authorized the release of such documents, or (b) unless directed by a court of competent jurisdiction.

8.3 All documents generated or accepted by RGGI, Inc. in performance of this contract shall be made available to the Agencies upon request.

ARTICLE 9. TERMINATION OR SUSPENSION

9.1 This Agreement may be terminated by the Agencies at any time during the term of this Agreement, with or without cause, upon 30 days prior written notice to RGGI, Inc. In such event, compensation shall be paid to RGGI, Inc. for allowable costs incurred prior to the effective date of termination. The Agencies and RGGI, Inc. shall jointly agree on the costs to be paid under this paragraph. In no event shall total payments, including costs paid under this paragraph, exceed the amount specified in Article 3 of this Agreement. The requirement for 30 days' notice shall not apply to termination under paragraph three of Attachment C.

9.2 If at any time Vermont is no longer a Signatory State, then the agreement may be terminated by RGGI, Inc.

9.3 If this Agreement is terminated the RGGI, Inc. shall be paid and compensated for the costs incurred up to the date of termination, and all remaining funds paid to RGGI, Inc. pursuant to Article 3 shall be returned to the Agencies within 30 days of the date of termination. The Agencies and RGGI, Inc. shall jointly agree on the costs to be paid under this paragraph. In no event shall total payments, including costs paid under this paragraph, exceed the amount specified in Article 3 of this Agreement.

ARTICLE 10. No THIRD PARTY RIGHTS

10.1 Nothing in this Contract shall create or give to third parties any claim or right of action against Vermont, the Agencies, or RGGI, Inc.

ARTICLE 11. INDEPENDENT CONTRACTOR

11.1 In carrying out the terms of this Agreement, RGGI, Inc. shall at all times be an independent contractor. Nothing contained in this Agreement shall be construed to create an employee-employer relationship between Vermont and RGGI, Inc.

ARTICLE 12. INTELLECTUAL PROPERTY

12.1 With respect to any software computer programs, intellectual property and/or source codes developed under this contract, by RGGI, Inc. or any subcontractors

thereunder, each Signatory State shall be entitled to worldwide, irrevocable, non-exclusive, license to use any such software computer programs, intellectual property and/or source codes without limitation and including all inventions, patents, or patent applications derived from such inventions developed under this Agreement.

12.2 As uses herein, "Intellectual Property" shall mean inventions (whether or not patent able), works of authorship, trade secrets, techniques, know-how, ideas, concepts, and algorithms.

ARTICLE 13. SEVERABILITY

13.1 If any part of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforce ability of any other part of this Agreement, and the remaining parts of this Agreement shall be enforced as if the invalid, illegal or unenforceable part were not contained therein.

ARTICLE 14. COMPLIANCE WITH LAWS

14.1 RGGI, Inc. agrees to comply with the provisions of all Vermont and Federal laws, local statutes, ordinances, and regulations that are applicable to the performance of this Agreement.

ARTICLE 15. STANDARD CONTRACT CLAUSES

15.1 RGGI, Inc. will be required to comply with all provisions contained in Attachment C, State of Vermont Standard Contract Provisions.

ARTICLE 16. ENTIRE AGREEMENT/CHANGES

16.1 This Agreement together with any Appendices annexed hereto contains the entire agreement of the Parties with respect to the subject matter hereof, and supersedes all prior agreements or understanding regarding such subject matter, or any portion thereof.

16.2 This Agreement may be amended or supplemented only by a written instrument signed by duly authorized representatives for all Parties.

16.3 This Agreement shall be governed by and construed in accordance with the laws of the State of Vermont.

16.4 The Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

SIGNATURE PAGE

The State of Vermont by the Secretary of the Vermont Agency of Natural Resources and the Chairman of the Vermont Public Service Board, neither of whom incur any personal liability by reason of the execution hereof or anything herein contained, set their hands and seals to this Memorandum of Agreement, on the last day and year as indicated.

STATE OF VERMONT

By: [Signature] (Name)
Title: _____

By: _____ (Name)

Title: _____

Agency: _____

Agency: _____

Dated: _____

Dated: _____

STATE OF VERMONT)

) SS;

COUNTY OF (Washington)

On the 29th day of September in the year 2008, before me, the undersigned, a Notary Public in and for said State, personally appeared James Volz, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the document.

[Signature]
Notary Public

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

SIGNATURE PAGE

The State of Vermont by the Secretary of the Vermont Agency of Natural Resources and the Chairman of the Vermont Public Service Board, neither of whom incur any personal liability by reason of the execution hereof or anything herein contained, set their hands and seals to this Memorandum of Agreement, on the last day and year os indicated.

STATE OF VERMONT

By: _____ (Name)

Title: _____

Agency: _____

Dated: _____

By: [Signature] (Name)

Title: Secy of ANR

Agency: ANR

Dated: 9/30/08

STATE OF VERMONT)

) SS;

COUNTY OF Washington

On the 30th day of Sept. in the year 2008, before me, the undersigned, a Notary Public in and for said State, personally appeared George Crombe, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individuals(s), or the person upon behalf of which the individuals(s) acted, executed the document.

[Signature]
Notary Public Term Expires 2/10/2011

Contractor's Agreement

The provisions of the foregoing contract and attached appendices are agreed to and accepted.

Regional Greenhouse Gas Initiative, Inc.

By: 

Title: CHAIR

Dated: 10/23/08

STATE OF ~~VERMONT~~ NEW YORK
COUNTY OF Albany) SS;

On the 23rd day of October in the year 2008, before me, the undersigned, a Notary Public in and for said State, personally appeared ALEXANDER GRANT is personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individuals(s), or the person upon behalf of which the individuals(s) acted, executed the document.


Notary Public

TIMOTHY E. EIDLE
NOTARY PUBLIC, State of New York
No. 02E16102664
Qualified in Albany County 2011
Commission Expires December 8, 2011

APPENDIX B
Regional Greenhouse Gas Initiative, Inc.

Scope of Work in Support of Vermont Agency of Natural Resources and Vermont Public Service
Board Implementation of the CO₂ Budget Trading Program

Regional Greenhouse Gas Initiative, Inc. (“RGGI, Inc.”) will provide program implementation and program development services, as outlined in this scope of services, to the Vermont Agency of Natural Resources and Vermont Public Service Board (hereafter collectively referred to as the “Agencies”) to support the State of Vermont participation in the Regional Greenhouse Gas Initiative (RGGI) and the implementation of regulations for the Vermont CO₂ Budget Trading Program. RGGI, Inc., a non-profit organization incorporated in the State of Delaware, was formed expressly to provide technical implementation and program development support services to signatories of the RGGI Memorandum of Understanding (the “participating states”), signed December 20, 2005, as amended.

Overview

RGGI, Inc. will provide services to support implementation of the Vermont CO₂ Budget Trading Program in the following seven areas:

- I. Design and operation of a regional emissions and allowance tracking system (EATS), for use by the Agencies in administering the Vermont CO₂ Budget Trading Program and the counterpart programs in other participating states
- II. Design and operation of a regional allowance auction platform, for use by the Agencies in administering the Vermont CO₂ Budget Trading Program and the counterpart programs in other participating states
- III. Development of model offsets consistency applications and model offsets monitoring and verification submittal forms, suitable for customization by the Agencies for use in administering the offsets component of the Vermont CO₂ Budget Trading Program
- IV. Development of generic and category-specific guidance documents detailing the requirements for offset projects under the CO₂ Budget Trading Program, suitable for use by the Agencies to support administration of the offsets component of the Vermont CO₂ Budget Trading Program
- V. Development of an accreditation process for the accreditation of independent verifiers of offset projects, suitable for use by the Agencies to support administration of the offsets component of the Vermont CO₂ Budget Trading Program

VI. Market monitoring services for monitoring of both allowance auction conduct and outcomes and monitoring of the secondary allowance market for the CO₂ Budget Trading Program

VII. Provision of program development support services on an as-requested basis, including but not limited to evaluation of additional offset categories and the development of technical and policy recommendations related to specific CO₂ Budget Trading Program elements, for evaluation and consideration by the Agencies

I. Emissions and Allowance Tracking System

RGGI, Inc. shall provide services to support emissions and allowance tracking for the Vermont CO₂ Budget Trading Program (“Tracking System”). Such services shall be performed in two distinct phases: (A) Program and Systems Development and Deployment; (B) Annual Program Implementation and Support. If necessary to support the schedule established by participating states for holding an initial allowance auction(s) in 2008, phase (A) above may be broken into two sub-phases, the first of which would develop the needed Tracking System capability to support an initial auction(s) followed by development of full Tracking System capability as specified in phase (A) below. In any area where services are requested, deliverables, where deemed appropriate in consultation with the Agencies, shall be presented to the Agencies in draft form for review and ultimate approval by the Agencies.

I-A. Program and Systems Development and Deployment

Program Development

RGGI, Inc. shall develop an overall program implementation plan. To the extent necessary, any subcontractors engaged by RGGI, Inc. shall have strong working knowledge of 40 CFR Part 75 and U.S. EPA’s data system to ensure that the program implementation strategy takes into account the timeliness, data processing requirements, and data availability limitations associated with U.S. EPA's emissions reporting, tracking, analysis, and data storage procedures.

Tracking Data System Requirements Collection

RGGI, Inc., in consultation with the Agencies, shall develop the Tracking System to support the emissions and allowance tracking and compliance aspects, as well as the offsets component, of the Vermont CO₂ Budget Trading Program. The Tracking System shall also be able to track allowance prices, as reported, applicable price triggers, and appropriate offsets limits. To determine the functionality required, RGGI, Inc. shall conduct a needs assessment, involving representative groups of users, to determine the specific requirements for the application.

RGGI, Inc. shall utilize or provide similar functionality of U.S. EPA's Emissions and Allowance Tracking System as a starting point for defining these requirements. These requirements shall include, but not be limited to, functionality, security, reports, public access, and user interface.

Tracking System Design

RGGI, Inc., in consultation with the Agencies, shall design the Tracking System, including a data model, user interface and functionality to support emissions inventory management, allowance trading, compliance and program analysis, and user security. RGGI, Inc. shall coordinate the operation of the Tracking System with the administration of a regional allowance auction platform. RGGI, Inc. shall also: (1) work with any independent third party hired by the Agencies to verify the Tracking System software is functioning properly, including potential redress; (2) if directed by the Agencies, to publicly post appropriate information about the Tracking System; and (3) to work with the Agencies to use ongoing experience to continuously improve the Tracking System.

Tracking System Development

Following approval by the Agencies of the Tracking System data requirements and system design, RGGI, Inc. shall develop software code for the Tracking System. RGGI, Inc. shall develop a test plan and perform extensive quality assurance and unit and integrated testing for all Tracking System functionality. RGGI, Inc. shall document and provide all testing scenarios to the Agencies. RGGI, Inc. shall deploy an alpha version of the application on a platform for testing and acceptance by the Agencies. Following acceptance of the alpha product, RGGI, Inc. shall provide a beta version of the Tracking System for beta users selected by the Agencies and RGGI, Inc., including industry users and representatives from participating states. Finally, RGGI, Inc. shall deploy the final version of the program. As part of the system development, RGGI, Inc. shall develop system documentation, user manuals, and other training tools.

Tracking System Hosting

To support the Tracking System Internet application and database in a secure data environment, RGGI, Inc. shall contract with a third-party vendor to establish dedicated hosting for the database. This will also serve as the environment for alpha and beta testing. Using preliminary research on the capability and cost associated with a variety of hosting options, to include all appropriate security requirements for Application Service Providers (ASPs), RGGI, Inc. shall refine this analysis and subcontract with the selected ASP. Prior to executing any subcontract, RGGI, Inc. shall provide all relevant information relating to capability, cost, and subcontract terms for the recommended ASP and two alternatives, to the Agencies for approval. The successful subcontracted ASP will have acceptable plans, to be reviewed by both the Agencies and RGGI, Inc., for loss or disaster recovery and business continuance.

Emissions Data Tracking and Processing Development

In order for the Agencies to use the emissions data reported to U.S. EPA under 40 CFR Part 75 for purposes of determining source compliance with the requirements of the Vermont CO₂ Budget Trading Program, a process and supporting data management tools and software must be developed. The procedures relating to this task area shall be developed by RGGI, Inc. and any necessary coordination or agreement with U.S. EPA regarding use and access to the emissions data shall be resolved. RGGI, Inc. shall also develop a detailed plan for accomplishing this task. To the extent possible, RGGI, Inc. shall use existing emissions management routines to accomplish this objective.

The end result shall be the establishment by RGGI, Inc. of emissions data management tables consistent with the Tracking System design, so that the emissions values for the compliance period are available to the Agencies for true-up purposes.

Offsets Module

RGGI, Inc. shall provide a Tracking System software platform that includes an offsets module to track offset project status, including project submittals, approvals, and supporting documentation, and maintain CO₂ allowances awarded to approved offset projects. RGGI, Inc. shall coordinate with the appropriate representatives of the Agencies to support administration of the offsets component of the Vermont CO₂ Budget Trading Program to ensure that the offsets applications and submittal materials used by the Agencies align with the capabilities and needs of the Tracking System.

The offsets module of the Tracking System shall have the functionality to track and monitor offsets project status details, such as the status of consistency applications and monitoring and verification submittals, as well as provide for public access to project documentation supporting such applications and submittals.

Tracking System Reports

The Tracking System software provided by RGGI, Inc. shall include a reports module to provide system users with reports of system data. These shall include, but may not be limited to: account allowance transfer reports, account holdings reports, CO₂ emissions reports, offsets reports, and source compliance summary reports.

I-B. Program Operation

In the program operation phase of the project, RGGI, Inc. shall provide ongoing implementation and operational support for the Tracking System, including the tasks outlined below.

Allowance Program Management

Consistent with the implementation plan developed during the design and system development phase of the project, RGGI, Inc. shall provide implementation support to the Agencies for all program activities relating to source management, allowance allocations to compliance and general accounts, and trades for both general and compliance accounts. This shall include the activity necessary to support the assignment of allowances to appropriate accounts following the successful completion and Agencies' approval of all allowance auctions, as well as the population of user accounts after Agencies award of each offset allowance.

Emissions Data Management and Analysis

Consistent with the implementation plan developed during the design and system development phase of the project, RGGI, Inc. shall perform all data management and quality assurance tasks necessary to ensure the availability of annual CO₂ emissions data from all affected units. RGGI, Inc. shall prepare and send communications to the account representatives for affected sources relating to the interim, draft, and final emissions values. RGGI, Inc. shall work with the Agencies to identify and resolve any issues relating to the submission of emissions data, and the accuracy and completeness of the data. To the extent requested by the Agencies, RGGI, Inc. shall contact industry representatives directly to resolve any outstanding issues. RGGI, Inc. shall document all issues, their resolution, and all contacts with industry representatives.

Allowance Reconciliation (True-up)

RGGI, Inc. shall assist the Agencies with the compliance assessment for the Vermont CO₂ Budget Trading Program. The Tracking System shall support data entry of compliance certifications required by the program and the identification of allowances to be deducted during the compliance process. This assessment shall factor in appropriate offsets limits as a function of a source's reported emissions. These limits will be adjusted appropriately to address the price trigger mechanisms in the participating states' regulations. RGGI, Inc. shall prepare draft and final compliance reports and will provide information to the Agencies' staff contacts regarding possible non-compliance.

User Technical Support

RGGI, Inc. shall provide technical support to industry, the Agencies, and public users of the Tracking System. RGGI, Inc. shall record all technical support requests, inquiries, or other occurrences in a log that identifies the nature of the request or events, requestor, respondent, response provided, date(s) and time(s) of response, and amount of chargeable time expended on the request and response. Records shall be provided to the Agencies' Project Manager on a periodic basis, or on demand, as requested.

As necessary, RGGI, Inc. shall provide assessments and recommendations relating to performance of the system based on the technical support levels and user feedback. RGGI, Inc. shall not be responsible for interpretation of the Agencies' regulations, and/or interpretation of actions taken by the Agencies in enforcement of those regulations.

System and Database Support

RGGI, Inc. shall be responsible for all aspects of Tracking System maintenance and database support and management. This shall include the database initialization and setup, ongoing database quality assurance activities, management of all user accounts and security, coordination and monitoring of the Application Service Provider support activities, database, security, and application performance, and all other tasks designed to ensure high system availability and performance. RGGI, Inc. shall provide reports to the Agencies' Project Manager on all routine activities and on any events or technical issues that will affect the operation or performance of the system. RGGI, Inc. shall oversee all data backup and audit procedures to ensure the ongoing integrity of the data.

II. Allowance Auction Platform

RGGI, Inc. shall design and implement a platform for the auctioning of allowances. RGGI, Inc. shall provide auction services in three general areas: pre-auction, auction implementation, and post-auction. In any area where services are requested, all deliverables will be presented the Agencies in draft form for review and ultimate approval by the Agencies.

II-A. Pre-auction Services

Consultation

RGGI, Inc. shall work with Agencies staff to develop a single standard allowance purchase and sales agreement for the CO₂ Budget Trading Program for use by participating states in facilitating allowance auction transactions. In addition, RGGI, Inc. may be asked to provide general consultation to the Agencies on auction design. This may include consultation on auction activity procedures and auction closing procedures.

Auction Notices

RGGI, Inc., in consultation with the Agencies, shall create documents and associated information necessary to inform auction participants about details of each auction. Each notice of auction shall provide a specific description of the auction format that will be used, the quantities of allowances to be auctioned, and all applicable participation requirements. Such information shall be made available on a website created, maintained, and hosted by RGGI, Inc.

specifically dedicated to RGGI auctions. RGGI, Inc. shall prepare for, host, and facilitate at least one auction participant conference prior to each auction, which shall include an option for participants to call in, as well as receive and respond to written questions submitted by conference participants.

Participant Qualification

RGGI, Inc., in consultation with the Agencies, shall assist in the development of all qualification application materials and documents. RGGI, Inc. shall manage, under the direction of the Agencies, the application process, including receiving and reviewing each qualification application to determine completeness and accuracy of the information submitted. RGGI, Inc. shall be responsible for collecting and managing, through a third party, all auction financial security submissions and/or escrow accounts. RGGI, Inc., in consultation with the Agencies, shall be responsible for notifying bidders of their qualification status and maintaining a database of all qualified bidders.

Auction Documentation and Training

To prepare for each auction, RGGI, Inc. shall create and distribute auction materials, such as participation instructions, final auction procedures and manuals, as well as the distribution of user codes and passwords to qualified auction participants. In addition, RGGI, Inc. shall be responsible for training auction participants in the use of the auction software platform.

II-B. Auction Implementation Services

Auction Platform

RGGI, Inc. shall provide and administer, on behalf of the Agencies, an online auction platform capable of accommodating an auction in all of the following formats:

- A sealed bid, uniform price auction
- An ascending price, multiple-round auction

Furthermore, the online auction platform shall be capable of managing allowance purchase limits based on specifications provided by the Agencies, and simultaneous auctions of current vintage year allowances and future vintage year allowances. Such platform shall be capable of tracking bidding activity and must provide for audit level documentation of such activity, in accordance with auction monitoring protocols to be established by RGGI, Inc. in consultation with the Agencies.

II-C. Post-auction Services

RGGI, Inc. shall, on behalf of the Agencies, arrange for and facilitate the transfer of funds from successful bidders to an account designated by the Agencies and arrange for the return of financial security to bidders. RGGI, Inc. shall also be responsible for coordinating with the operation of the Tracking System for the transfer of allowances, at the direction of the Agencies, to the compliance or general accounts of the winning bidders. RGGI, Inc. shall also be required to: (1) work with any independent third party hired by the Agencies to verify the results of the auction, including potential redress; (2) if directed by the Agencies, to post appropriate information about auction results; and (3) to work with the Agencies to use ongoing auction experience to continuously improve subsequent auctions.

III. Model Offset Consistency Applications and Monitoring and Verification Report Submittal Documents

RGGI, Inc. shall develop model offset consistency applications and model monitoring and verification report submittal forms for each eligible offset category, suitable for customization by the Agencies.

RGGI, Inc. shall design model application and submission materials to facilitate monitoring of the Agencies' offset project approval process by market observers and other participating states. All materials developed by RGGI, Inc. shall be consistent with the Model Rule criteria. The application and submission materials shall be more specific than the Model Rule criteria outlined in Sections XX-10.3, XX-10.5, and XX-10.7, with regard to required documentation. In developing these materials, RGGI, Inc. shall coordinate with the development of the Tracking System to ensure that the applications and submittal materials align with the capabilities and needs of the Tracking System. RGGI, Inc. shall develop the following specific application and submittal materials:

- RGGI, Inc. shall develop general consistency application materials, including application instructions (Model Rule section XX-10.1 through section XX-10.4).
- RGGI, Inc. shall develop category-specific consistency application materials, including application instructions, for each eligible offset project category (Model Rule subsection XX-10.3(b) and section XX-10.5). Consistency application forms shall call for required documentation in a format that will facilitate regulatory agency evaluation of the project against the Model Rule requirements.
- RGGI, Inc. shall develop monitoring and verification submittal forms, including submittal instructions, for each eligible offset project category (see Model Rule section XX-10.5 and section XX-10.7). Monitoring and verification report submittal forms shall call for required documentation in a format that will facilitate regulatory agency

evaluation of the project against the Model Rule requirements. The materials shall be more specific than the Model Rule criteria outlined in Sections XX-10.5 and XX-10.7, with regard to required documentation.

IV. Model Offset Guidance Documents

RGGI, Inc. shall develop model generic and category-specific offset project guidance documents suitable for customization by the Agencies.

The model guidance developed by RGGI, Inc. shall be detailed and easily understandable by project developers (including small businesses or other parties that may lack experience in carbon offset markets) and by regulatory agency staff, regarding submittal requirements and evaluation of specific offset projects against the Model Rule requirements. Materials shall be designed to reduce project developer time in meeting submittal requirements, to the extent practicable, and regulatory agency staff time in reviewing projects.

The model guidance documents developed by RGGI, Inc. shall explain the intent and letter of the RGGI Model Rule provisions and address any ambiguities in the Model Rule provisions, or provisions that may require clarification as to how they apply to specific types of projects. Any interpretive material shall be consistent with the Model Rule criteria and shall be reviewed with the appropriate representatives of the Agencies and the participating states.

While the Model Rule offset provisions are very detailed, and the current eligible categories are limited, many different types of projects may be eligible under the existing Model Rule requirements. Therefore questions about the applicability of specific Model Rule requirements to individual offset projects are certain to arise. RGGI, Inc. shall identify project scenarios that address questions that are likely to arise in the course of the offset application and approval processes, based on the expertise of RGGI, Inc. staff, other offset program experience, and communication with the appropriate representatives of the Agencies and the participating states.

RGGI, Inc. shall develop the following specific guidance document materials:

- RGGI, Inc. shall develop a single, comprehensive model generic guidance document that provides an overview of Model Rule Subpart XX-10 and the process for application and approval of offset projects, submittal of monitoring and verification reports, and the award of offset allowances.
- RGGI, Inc. shall develop six (6) category-specific model guidance documents, for each of the eligible offset categories in the Model Rule. These shall explain, step-by-step, the process, including information submittal requirements and format, by offset category, for consistency applications, approval of offset projects, and submittal of monitoring and

verification reports as required in Model Rule sections XX-10.3, XX-10.4, XX-10.5, and XX-10.7.

V. Accreditation Process and Training Program for Independent Verifiers of Offset Projects

RGGI, Inc. shall develop a process for the accreditation of independent offset project verifiers and a related training program, consistent with the requirements of Model Rule section XX-10.6, that can be customized and used by the Agencies in accrediting independent offset verifiers.

RGGI, Inc. shall develop a formalized accreditation process and training program for independent verifiers that meets the requirements of the RGGI Model Rule, including the following:

- A process for the accreditation of independent verifiers, including review of qualifications of candidate verifiers
- A process for evaluation of candidate verifier conflicts-of-interest (COI)
- A training course for candidate verifiers (including supporting training materials)
- Application materials for accreditation

RGGI, Inc. shall develop a formalized process that can be customized for use by the Agencies to support on-going Agencies review of potential verifier conflict-of-interest situations, including the following:

- Submittal forms for accredited verifier disclosure of potential COI information to be submitted and reviewed by regulatory agencies prior to the verifier engaging in work with an offset project developer
- Guidance materials to support regulatory agency staff review of COI

In developing these materials, RGGI, Inc. shall provide a review of existing greenhouse gas independent verifier accreditation standards and processes used by other voluntary and mandatory greenhouse gas management or regulatory programs, and incorporate, if appropriate, elements of these into the materials developed for the Agencies. RGGI, Inc. shall provide a brief evaluation of the standards and processes reviewed.

VI. Market Monitoring

RGGI, Inc. shall provide market monitoring services in three general areas: monitoring and auditing of allowance auctions, monitoring of relevant secondary allowance market activity, and provision of consultative services addressing market monitoring.

VI-A. Monitoring and Auditing of RGGI Allowance Auctions

RGGI, Inc. shall provide professional monitoring of all RGGI regional allowance auctions, some of which may involve a subset of participating states and may or may not include allowances submitted for auction by the Agencies. RGGI, Inc. shall develop data collection methods, metrics, and analytic techniques for monitoring auction performance and thresholds for identifying any collusion, market power, and/or market manipulation that may impact the efficiency and performance of the RGGI auctions.

VI-B. Monitoring of Secondary Market Behavior

RGGI, Inc. shall monitor all relevant publicly available data and indicators of market behavior in the secondary allowance market that may be expected to significantly impact the performance of RGGI auctions and the secondary allowance market.

VI-C. Consultative Services

RGGI, Inc. shall provide expert advice to the Agencies regarding how any aspects of the auction process should be altered in order to improve the performance and efficiency of the RGGI auctions and ensure the functioning of a fair and competitive primary allowance market (auctions) and secondary allowance market.

VII. Program Development Support

RGGI, Inc. shall provide program development support to the Agencies on an as-requested basis to facilitate Agencies evaluation and consideration of potential modifications to and/or expansion of the Vermont CO₂ Budget Trading Program. Such services may include but are not limited to the following:

- Evaluation of additional offset categories
- Development of technical and policy recommendations related to specific CO₂ Budget Trading Program elements

VIII. Project Term

The project term is for the period beginning upon execution of a contract between the Agencies and RGGI, Inc. and ending December 31, 2010. The project term may be extended through mutual agreement by the Agencies and RGGI, Inc.

IX. Project Reporting

RGGI, Inc. shall designate a Project Manager, who shall be the one point of contact with the Agencies. The Project Manager shall be responsible for monitoring and ensuring progress for all tasks and subtasks, and for ensuring timely delivery of all deliverables outlined in this scope of work. The RGGI, Inc. Project Manager shall be responsible for all project reporting to the Agencies.

RGGI, Inc. shall submit quarterly progress reports every three months to the Agencies during the project term. These progress reports shall outline the status of progress in providing the deliverables specified in this scope of work, including identification of all completed/not completed work during the preceding three-month period for every major task identified in the scope of work. These progress reports shall also note any problems encountered by RGGI, Inc. and their actual or proposed resolution. At the end of the project term, RGGI, Inc. shall prepare and submit a draft final report that provides a description and summary of all major work tasks and submitted deliverables. The draft final report shall be revised within 60 days to address all Agencies' comments, and RGGI, Inc. shall submit a final report to the Agencies addressing all such comments.

In any area where deliverables will be provided, such deliverables, where deemed appropriate in consultation with the Agencies, shall be presented to the Agencies in draft form for review and ultimate approval by the Agencies.

ATTACHMENT C: STANDARD STATE CONTRACT PROVISIONS
May 23, 2008

1. **Entire Agreement:** This contract represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.
2. **Applicable Law:** This contract will be governed by the laws of the State of Vermont.
3. **Appropriations:** If this contract extends into more than one fiscal year of the State (July 1 to June 30), and if appropriations are insufficient to support this contract, the State may cancel at the end of the fiscal year, or otherwise upon the expiration of existing appropriation authority.
4. **No Employee Benefits For Contractor:** The contractor understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation or sick leave, workers compensation or other benefits or services available to State employees, nor will the state withhold any state or federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of the contract. The contractor understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the contractor, and information as to contract income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.
5. **Independence, Liability:** The Contractor will act in an independent capacity and not as officers or employees of the State.

The Contractor shall defend the State and its officers and employees against all claims or suits arising in whole or in part from any act or omission of the Contractor or of any agent of the Contractor. The State shall notify the Contractor in the event of any such claim or suit, and the Contractor shall immediately retain counsel and otherwise provide a complete defense against the entire claim or suit.

After a final judgment or settlement the Contractor may request recoupment of specific defense costs and may file suit in Washington Superior Court requesting recoupment. The Contractor shall be entitled to recoup costs only upon a showing that such costs were entirely unrelated to the defense of any claim arising from an actor omission of the Contractor.

The Contractor shall indemnify the State and its officers and employees in the event that the State, its officers or employees become legally obligated to pay any damages or losses arising from any act or omission of the Contractor.

6. **Insurance:** Before commencing work on this contract the contractor must provide certificates of insurance to show that the following minimum coverages are in effect.

It is the responsibility of the contractor to maintain current certificates of insurance on file with the state through the term of the contract. No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the contractor for the contractor's operations. These are solely minimums that have been established to protect the interests of the State.

Workers Compensation: With respect to all operations performed, the contractor shall carry workers' compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage: With respect to all operations performed under the contract, the contractor shall carry general liability insurance having all major divisions of coverage including, but not limited to:

Premises - Operations
Products and Completed Operations
Personal Injury Liability
Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

\$1,000,000 Per Occurrence
\$1,000,000 General Aggregate
\$1,000,000 Products/Completed Operations Aggregate
\$ 50,000 Fire/ Legal/Liability

Contractor shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this contract.

Automotive Liability: The contractor shall carry automotive liability insurance covering all motor vehicles, including hired and non-owned coverage, used in connection with the contract. Limits of coverage shall not be less than: \$1,000,000 combined single limit.

Contractor shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this contract.

7. **Reliance by the State on Representations:** All payments by the State under this contract will be made in reliance upon the accuracy of all prior representations by the contractor, including but not limited to bills, invoices, progress reports and other proofs of work.
8. **Records Available for Audit:** The contractor will maintain all books, documents, payroll papers, accounting records and other evidence pertaining to costs incurred under this agreement and make them available at reasonable times during the period of the contract and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved. The State, by any authorized representative, shall have the right at all reasonable times to inspect or otherwise evaluate the work performed or being performed under this contract.
9. **Fair Employment Practices and Americans with Disabilities Act:** Contractor agrees to comply with the requirement of Title 21 V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Contractor shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the contractor under this contract. Contractor further agrees to include this provision in all subcontracts.
10. **Set Off:** The State may set off any sums which the Contractor owes the State against any sums due the Contractor under this contract; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.
11. **Taxes Due to the State:**
 - a. Contractor understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, corporate and/or personal income tax on income earned within the State.
 - b. Contractor certifies under the pains and penalties of perjury that, as of the date the contract is signed, the Contractor is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.
 - c. Contractor understands that final payment under this contract may be withheld if the Commissioner of Taxes determines that the Contractor is not in good standing with

respect to or in full compliance with a plan to pay any and all taxes due to the State of Vermont.

- d. Contractor also understands the State may set off taxes (and related penalties, interest and fees) due to the State of Vermont, but only if the Contractor has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Contractor has no further legal recourse to contest the amounts due.

12. **Child Support:** (Applicable if the Contractor is a natural person, not a corporation or partnership.) Contractor states that, as of the date the contract is signed, he/she:

- a. is not under any obligation to pay child support; or
- b. is under such an obligation and is in good standing with respect to that obligation; or
- c. has agreed to a payment plan with the Vermont Office of Child Support Services and is in full compliance with that plan.

Contractor makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the contractor is a resident of Vermont, contractor makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

13. **Subcontractors:** Contractor shall not assign or subcontract the performance of his agreement or any portion thereof to any other contractor without the prior written approval of the State. Contractor also agrees to include all subcontract agreements and a tax certification in accordance with paragraph 11 above.

14. **No Gifts or Gratuities:** Contractor shall not give title or possession of any thing of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this contract.

15. **Copies:** All written reports prepared under this contract will be printed using both sides of the paper.

16. **Certification Regarding Debarment:** Contractor certifies under pains and penalties of perjury that, as of the date that this contract is signed, neither contractor nor contractor's principals (officers, directors, owners, or partners) are presently debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in federal programs or programs supported in whole or in part by federal funds.

(End of Standard Provisions)